

MCX/SEC/2078

August 06, 2022

The Dy. General Manager
Corporate Relations & Service Dept.
BSE Limited,
P.J. Towers, Dalal Street,
Mumbai - 400001

Scrip code: 534091, Scrip ID: MCX

Subject: Transcript of calls with Investor/Analysts

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, please find enclosed herewith the following transcript of the call with investor/analysts:

Sr. No	Investor/Analysts	Date	Time	Annexure
1.	Ward Ferry Management Limited	August 02, 2022	2 p.m.	<i>Annexure - A</i>

The said transcript is also uploaded on the website of the Company at <https://www.mcxindia.com/investor-relations/ir-meetings>

Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,

For Multi Commodity Exchange of India Limited

Ajay Puri
Company Secretary

Encl: As above



“Multi Commodity Exchange of India Limited”

Meeting with WF Asian Smaller Companies Fund Limited
(Ward Ferry Management Limited)

August 02, 2022

Disclaimer:

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This document may contain “forward-looking statements” – that is, statements related to future, not past, events. In this context, forward looking statements often address our expected future business and financial performance, often contain words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “should” or “will”. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. These uncertainties may cause our actual results to be materially different that those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

**MANAGEMENT: MR. P.S. REDDY – MANAGING DIRECTOR AND CHIEF
EXECUTIVE OFFICER
MR. SATYAJEET BOLAR – CHIEF FINANCIAL OFFICER
MR. D.G. PRAVEEN – HEAD (INVESTOR RELATIONS)**

- P. S. Reddy:** How are you doing Aman and Abhinav?
- Abhinav:** Hi, Mr. Reddy, we are very well. How are you?
- P. S. Reddy:** Good.
- Prayesh Jain:** Hi sir, this is Prayesh Jain from Motilal Oswal. I understand this is a no-broker meeting. So, I will just leave the floor open to you guys to discuss and looking forward to more interactions with you guys.
- Abhinav:** Mr. Reddy, thank you for taking the time to speak with us. It is nice to reconnect after a few months. I hope you haven't forgotten us. It has been I think a few months since we spoke.
- P. S. Reddy:** No, I don't forget. Your faces are very familiar and you have been staying invested in this company and I appreciate that.
- Abhinav:** Thank you, sir, and we appreciate your leadership of the company. In fact, on that topic, I wanted to start off by congratulating you for completing 3 years now as MD & CEO of MCX. And our journey with the Exchange actually has also been for the last 2-1/2 years. I remember first speaking to you when you had spent roughly 6 months into the role and a lot of new exciting developments were anticipated. And I remember you spoke at length about your vision for the commodities market in India, new products, new participants, and some of that has come true. I think some of that is still in the works, but I remember our first conversation quite fondly.
- P. S. Reddy:** Yes, new products, getting them all approved and launching them, handholding them, and then one fine morning SEBI suspends some CPO kind of thing. I think this is a challenge for me. In fact, we got CPO options. It was doing so well – CPO futures – almost 300-350 crores. So, we thought that our options will pick up. That's it. One fine morning, SEBI said that you have to discontinue that and the whole options contract has gone. First, you have to build now futures and thereafter you have to build the options on it.

Abhinav: I think you are absolutely right. And not only for MCX, but I think for all Exchanges, the regulator plays a very important role. That is obviously something to be mindful of.

Sir, maybe just on that topic, firstly I wanted to understand from you, are you satisfied with the pace of the new product launches that have happened since you took over? There are many products which we were keenly anticipating. For example, the electricity futures and options on indices, etc., and it seems like there have been some delays. Just wanted to understand your thoughts on what the bottlenecks could be and can we anticipate any good news on that, let's say over the next 6 to 12 months?

P. S. Reddy: You are right that Electricity futures is one important contract which we have been struggling to get approvals. There is a joint working group, as I said, between CERC and SEBI, and unfortunately, even the regulator also –CERC – is slightly favoring the spot Exchange market. They did not give us permission, but they have launched Term Ahead Contract – Forwards in electricity.

Abhinav: Yes, the long-duration contract.

P. S. Reddy: I am sorry, IEX has launched it. So, they wanted them to first that market to grow, then let us see if something is left out for the futures market together. That is the way they thought maybe. SEBI did not push much for our contract, but we have brought out these kind of anomalies. Obviously, you cannot hold us back and then make us run and compete. It is not correct to do this and I think SEBI has also realized it. They should be working on this faster than otherwise and clear our electricity futures. We have been asking for it for a long time. It should come in the next 2 months' time is my expectation. Then, other one is the steel TMT bars. For a long time, it is back and forth. Then, one fine morning, we received a letter – you apply for it after 3 months. I don't know why we should apply for after 3 months after spending 1 year in a cold storage. And we have been giving so much of information on this steel TMT bar contract.

Yes, some of our launches are very successful and some are not moving as fast as we expected. The other part of it is the index options you are saying. Unfortunately, again, index futures were doing well. We wanted good amount of liquidity in the underlying products. BULLDEX was doing well. All of a sudden, Nickel contract there was some problem in LME and even the futures in Nickel itself, volumes have gone to zero. The Nickel index futures has got 25% weightage in the base metal index – METLDEX what we call it. As a result, the volumes have already almost all disappeared. They are in a nascent stage. We wanted to bring up first futures and then come with the options on indices. Unless that traction is seen, I don't think we will be able to build options on it.

Abhinav: Thank you for that color. It is great that you expect the electricity futures to come through soon in a reasonable amount of time. The other big trend that we have obviously picked up on is that now options are increasingly becoming a large part of the overall volume. We track this data on a monthly basis. I think for July, the options have even surpassed futures, if I am not mistaken.

P. S. Reddy: That's right.

Abhinav: My understanding is that this is primarily driven by the margin profile and the margin that was implemented by SEBI when they took it up to 100%. So, just wanted to understand, is that the correct understanding? That is point number 1. Point number 2 is, if you believe that this trend continues, that the options keep gaining share and in some time end up cannibalizing the futures market, any thoughts on changing the pricing or the commissions that we charge or the brokerage we charge? Because, today at least we end up getting lower brokerage for the same ADTV on options compared to futures.

P. S. Reddy: First and foremost, thing is, when margins on Crude oil have been substantially increased, then the Crude has started picking up. That's how we have seen a lot of traction. People who had deserted the Crude oil futures counter have come back and then very vigorously trading in it. Having got used to trading in Crude options, then when we introduced sometime in January the NG options, that also has picked up. NG options picked up not because underlying futures there is a higher margin. Once the market got used to it, as to how it will work, etc.,

how they maneuver the product trading patterns, then they realized okay this is the best way to go forward. So, what I am seeing is, while options are growing, no doubt about it – substantially growing – that is good for us, the underlying futures have not declined anything further. It is almost all 26,000 crores ADT, and by and large, it is remaining the same way even in the futures. Probably, if the margins come down in the futures, even that may also be activated. That is the way I look at it rather than cannibalizing one another. This is one part of it.

The second thing is whether the tariff can be increased or whatever transaction fees that we are charging, whether we can increase it. We just introduced the options tariff only from 1st of October last year. We didn't expect so much of growth in less than 1 year and we got so much. Now, currently it is yielding about 48%. Earlier, I said it one-third, but now it is almost 48% revenue growth from options. That means, if futures contributes 1 rupee, then options contributes 48 paise. That is the way I am seeing it. We will continue to see this kind of volumes and I do not want to disturb this tariff structure at this point in time, primarily for 2 reasons. Algos are also playing in this, and for them, it also matters a lot, what we are charging. Actually, they are demanding that on futures we must reduce our tariff. Even if we reduce by Rs. 5, that makes a great difference, the way that they are projecting it, but I am not too sure. A bird in hand is worth two in bush. Once you reduce it and then later on if you want to experiment to increase it, but then it will not happen. That's why we have retained as it is. We don't want to get into that controversy actually, I would say. And it may impact some other smaller players also. I may seem to be favoring only big players but not the smaller players who are paying the higher slab tariff. I think it is non-controversial to be at this point when we are going and then requesting for development of the market and asking them to contribute more and more. So, I would not like to touch this, at this point in time.

Abhinav:

You raised a very important point which was going to be my next question. This whole 100% margin that was implemented on Crude, nowhere in the world I think are you expected to give 100% margin. We understand why it happened – because of the negative Crude oil pricing. But we were hoping that

this would be a temporary sort of increase and as the market settles down or normalizes, this would go back to what it used to be earlier. Any thoughts on that, sir? Any discussions you have had with the regulator with respect to that?

P. S. Reddy: Now, they have scheduled a meeting with RMRC (Risk Management Review Committee) sometime in August end. Before them, they are going all these matters including SGF-related contribution.

Abhinav: Because quite frankly, at 100% margin, it basically means there is no leverage. It is as good as buying in cash.

P. S. Reddy: Now, currently it is about 33% in Crude oil.

Abhinav: They have brought it down to 33?

P. S. Reddy: No, it was at one time. When it is going into the expiry mode, another 25% gets levied. That means it is 35 plus another 25. That is the way it is at this point in time. When the volatility was high, it went up to even 100 percent also. But when we restored trading, post negative pricing, and with the passage of time, the volatility margin impact on the initial margins also reduced gradually. That is the reason why it has currently stayed at 35 percentile.

Abhinav: Sir, I have one more question. Then, I will hand it over to my colleague, Aman, who has some more questions for you. We have been also speaking about the spot Exchanges now, the Coal Exchange and the Gold Exchange for some time; and I think for the Gold Exchange, you have a partnership with various other Exchanges including the NSE. Any timelines on both those spot Exchanges?

P. S. Reddy: I will tell you, for the domestic Gold Exchange, we do not have any tie-up with anybody. We have a tie-up with International Bullion Exchange which was inaugurated last Friday. There, five of us are there and now it is a matter of operations in that Exchange. That will do well. That's what our confidence level is. There is only one Exchange and all the Gold that is coming into the country may likely be routed through this because the transaction charges are substantially lower when you receive via channelizing agencies versus the Exchange route. The government also has considered that whatever MOUs that

is signed with the Dubai government – the free trade for import of Gold; about 100 tonnes they can import 1st year, 125 next year, kind of thing. That all will be routed through this platform. So, it's a guaranteed kind of thing because there the tariff is lower, maybe 1% or something like that, and that helps transactions to kick in immediately. That is one part of it.

Coming back to the domestic spot Exchange, we don't have any such engagement with any Exchange and we are holding up this particular thing primarily for two reasons. One is that we need to have a trading platform which now we have given that assignment to TCS. Once TCS says this is done and the CDP becomes a stable platform, I will pick up a copy and then make necessary changes and then deploy it. We are also not under pressure to do this because the GST issue continues to hold it back. Other Exchanges where already they have a platform of their own, even they too have not launched it because it is a nonstarter without the GST issue being resolved. So, not to worry on that part is my way of looking at things.

Abhinav: Any update on Coal?

P. S. Reddy: Coal Spot Exchange? In fact, last week only, the Ministry of Coal had called all stakeholders on designing the regulations and how it should be, etc. We have been pitching ourselves and Mjunction jointly for a Coal spot Exchange. They are planning to come out with regulations by the end of December, I suppose. Then, actually there will be a selection criterion for Exchanges – I mean who can be – and likely to be only one Exchange, not so much business for multiple Exchanges, and I think both Mjunction and we are well poised to be that one Exchange.

Aman: Sir, I want to check on the futures ADTV which has come down substantially in the last 8 to 12 quarters. In your view, is there a chance it will pick up? The trend you said is stable, but from a trend perspective, it has not gone up substantially. So, is there any trigger that we can foresee in the future which will make the futures ADTV start picking up again?

P. S. Reddy: In terms of ADTV, yes, the volumes have come down. The prices have gone up. That's why we are continuing to see that kind of transactional revenue. On

the volume front, one is that the domestic hedgers, is something that we are targeting about, and more and more players to come. That is one important thing for us to have them onboard. Multiple delivery centers, some of them are saying that is the reason for less participation. The way that they are saying is because there are multiple delivery centers and the buyer is not sure where he is going to get the delivery from and that adds an element of uncertainty. And it's an egg-chicken for me. In that sense, if I go out and speak in the market, people say that I need delivery at my doorstep. You give me delivery up north and then I am down south, then what do I do about it? So, you please have multiple delivery centers and people will get used to it. And it worked well. That is the way I have seen it. If you see the Aluminum, it has a substantial growth in ADTV. If you see the ADTV in Aluminum, in 2021, it was 11,000 metric tons, and in 2021-22, it is 26,800 metric tons. Why did it happen? We moved our delivery center from Thane which is primarily to receive imports and then put to competition, we have moved our delivery center to Raipur. As I said in the past, Raipur is much closer to the manufacturing belt because the Eastern belt is the major source of Aluminum. More important is, NALCO is one which is freely delivering it. They just want to sell it, that's all. They are not worried about brand building, price around it, etc. And we have disturbed the play of some of the other guys who want to earn some premium over their brands, etc., and that has all gone. I went very recently, means last week, I was with the MD of a very big producer. He says that Mr. Reddy we are only taking your prices; we are pricing it based on your price. If LME price is higher, they will take that and if MCX price is higher, they will take MCX price. That is the way they are doing it; and then, they are making money. But why don't you use the platform to deliver the metal is what we have been asking but still there is some resistance, not at the MD level. MD said, he should take this platform as a God sent opportunity for us and whenever there is a price difference and we are not able to sell it to any private player, then we just simply dump it on the Exchange, and that is happening.

Then Copper. Yes, in copper, it was 44,000 in 20-21 and 21-22 was 34,000. There is a 10,000 metric tons decline. Lead 18,000 in 20-21 and 12,000 in 21-22. Other than the Aluminum, yes, rest of the metals, most of them are imported. We have written to the Japanese Zinc and Copper manufacturers.

Why we have written to them is, especially for copper for example, it is 1.5 metric tons. They currently have about 1.8 or about 2 metric tons bundles they are making. And the LME standard specifies that you must have so much of that. So, they are afraid of making the delivery lot the way that it is required by us, thinking that that may be violating the LME standard because we are seeing LME approved metals are acceptable. We sought a clarification from LME. LME said that we have no problem if they cater to you in whichever bundle size you want but as long as quality is of the same thing what they have approved, that is fine, and if the metal comes from the same plant, that is fine. That is what they have given a clarification which we sent it across. Probably, we will see some participation from those producers. Apart from it, we have also seen another interesting trend emerging. Not that I want a war between Russia and Ukraine to continue, but that has thrown some surprises. The Russian manufacturer RUSAL and others, they are looking at it whether we can trade on the MCX. Probably they are facing sanctions in LME or maybe in CME. Even for Crude also, there is Rosneft. They have a Delhi office. They are engaging with us, so how they can actually look at this. The point I am making is, nothing has happened as yet, but new opportunities are thrown up.

Aman: Sir, when you look at the fact that everything else went down in futures category except for Crude, despite the fact that prices went up for all commodities. Is there a specific reason for this trend? Only Crude is growing and everything else is not growing, at least on the Q1 numbers basis. If you can help us understand this, it will be very helpful.

P. S. Reddy: Honestly, I will not be able to say quarter on quarter which will drive what and all. That is something I am not good at.

Aman: Yes, but is there a reason for this trend?

P. S. Reddy: All that I can say is we should fire on all cylinders and see where we can all... Whichever product there is a growth potential, we would like to work towards that. That's the way I see it.

Aman: Sir, from your perspective, within futures and options, you are fine either of them grows? Of course, both should grow, but if options grows substantially

faster and futures for whatever reasons doesn't keep up with the pace, you are okay with that, right? It is not a preference?

P. S. Reddy: As long as the futures doesn't contract, that's fine. Instead of growing at 20% or 10%, it may grow at 5%. It's fine. But options are growing, that's also good for me.

Aman: Sir, quickly on the other income, the mark to market decline. Maybe if you can just throw some light on that, the reason for this – not decline – the lesser amount that we had in Q1 versus what we had in previous quarter. It looks like a quarterly Q-on-Q and Y-on-Y decline. Can you help me understand the reason for that?

Abhinav: I guess, before that if you could just shed some light on your entire treasury book. How much is the treasury book today? How much of that is your free cash versus let us say the margin cash from brokers and how you have invested that?

Satyajeet Bolar: We have around 1,100 crores of our own net worth money. In addition, we have around 600 crores lying with CCL which is the margin money which they deploy. As per the SEBI regulations, they can deploy only in liquid schemes as well as overnight schemes as well as in fixed deposits. That's where they place them.

Our investments are mainly in mutual funds as well as perpetual bonds and we have some investments in ETFs – Bharat Bonds and Nippon. Excepting for the perpetual bonds, all of them are accounted under mark to market. That was the biggest hit. The reason for the hit is because it is accounted under mark to market. When the RBI increased rates in May, the entire debt mutual fund scheme, we took a big hit. Though we were in while we anticipated the increase, we had parked the funds in short-term as well as in ultra-short-term funds. The market being what it is, we took a hit. Because we had moved to ultra-short term and short-term, the hit was not substantial, but obviously, there was a hit. We recovered in June and now we have started moving to, as I mentioned during the call, SDL. We have started investing in state development loan paper. We have made a beginning and we are also going to

account it under the amortized scheme. Even if the interest rate further goes up, we won't have any mark to mark since we are going to account it under amortized scheme.

Abhinav: Mr. Bolar, is it fair to assume that on the 1,700 crores, roughly what kind of pre-tax yield will we be making today?

Satyajeet Bolar: For June, it was nothing to talk about.

Abhinav: But that's an anomaly. I am saying, on a normalized basis, assuming rates don't move, what kind of yields are we expecting?

Satyajeet Bolar: For example, now I have started investing in SDL and we have invested at 7.7. That yield is going to remain, obviously. The entire portfolio, I will not be able to get at 7.7, but the fresh ones that I am investing, the yield would be constant.

Abhinav: On a blended basis, is it fair to assume like between 6.5 to 7% something of that sort?

Satyajeet Bolar: Hopefully, if we move smartly in this month after the RBI policy and deploy the way we should, I think fresh investments should carry more than that.

Aman: Sir, also on the employee cost, I think looking at other cost element as well, employee cost I think you talked about on the call yesterday that the current number is more representative of, like the going ahead run rate. Is that a fair thing to say or is there a scope of increase or decrease from here on? Is it a normalized cost that is currently appearing in quarter 1 numbers on the employee side?

Satyajeet Bolar: As explained, yes because we have made provision for the variable pay as well as for the increments based on the budgetary figures. When we compare it with March, since the budget.... For June, September, and December, we had taken it as per the budget, and when we came to March, we realized the actual versus the budgeted figure and then we reversed certain excess amount that we had provided for. So, this figure should hold good.

Aman: This won't be substantially lower than this I would assume except for the reversal in...

Satyajeet Bolar: There won't be any reversal of the variable pay because we are hopeful we will meet the target. If we meet, there shouldn't be any reversals in March.

Aman: Sir, one broader question on the mix between both the futures and options it is a lot more of Energy focus right now. Do you see any risk if the prices change substantially of the Crude or Natural Gas? Do you think the change has anything to do with our daily turnover or volumes on the Crude and Natural Gas side?

P. S. Reddy: I don't think so because volatility is the game here. If the prices keep moving up & down and up & down, then more and more trading will take place. Even if it is a falling trend, still that is also a falling and there is volatility. So, that's not an issue at all.

Aman: Given Natural Gas has become such a large portion now; do you think that IGX can participate in the same segment or not? I think you talked about GAIL's pipeline being an issue yesterday. Can you just elaborate on that sir, please?

P. S. Reddy: What I am saying is, domestic gas is still fettered. Even IEX, as I understand this gas is being transported using some tankers, etc. There is no pipeline route. Unless the pipeline route is freed up and there is a separation from GAIL, like you have done for electricity distribution - you have the National Load Despatch Center. Like that, if you have an independent agency, then there will not be any vested interest in that sense. They will not be controlling the pipelines. Then, the consumer is sure of getting the Gas transported. This is one part of it.

Second thing is, GST is needed for this kind of thing because currently, VAT is something which is implemented. It is different for different states. When trading takes place, people are not aware of it. This kind of problem is there at the end of it. We will get from whom and under what kind of tax you will be paying, it is something which is very uncertain. In the case of IGX, for the time

being, they are getting traded but unless the pipeline is separated from the consumer or others who are interested in managing that, I don't think there will be a fair way of doing it.

Aman: But if the pipeline gets separated from GAIL, will that be a positive for us or for IGX or for both?

P. S. Reddy: Then, we can look it moving into the domestic market also, if the pipeline is freed up – distribution.

Aman: On the Gas futures and options, the volumes are largely international, right?

P. S. Reddy: On CME prices.

Aman: On the software side, can you throw some light on the new timelines? You mentioned 2-3 months of delay on the software, the CDP. What is happening on that front?

P. S. Reddy: There is a delay because they have delivered the system but a lot of bugs are there. That is where our time is spent substantially. TCS is confident we should be able to fix it by the end of August and middle of September. Core and non-core kind of distribution they have done it, and by the mid of September, non-core also will be delivered with all fixes. Then, we can go for a continuous mock run and all that. So, it's a matter of another two months more extra beyond September is needed. We have already approached 63 Moons seeking extension of their services and we have other plans also lined up and let us see how.... because it is not good to disclose all the other plans also.

Aman: Sir, from a cost perspective, the cost I think last year was about 64 crores in FY22 that we paid to 63 Moons?

P. S. Reddy: It is approximate, because it varies on the transaction fees. If we do well, then a part of it will go to them also. Currently, it is about 55-56 crores.

Aman: Run rate basis currently?

P. S. Reddy: Including

Aman: Can you talk about how much will that come down by to the extent you can discuss and disclose?

P. S. Reddy: All that I can say is that obviously it will come to zero – the cost we are paying to 63 Moons. Then, how much we will pay to TCS also, there will be no additional cost for 1 year because that is free of cost or warranty period. Thereafter, AMC kicks in, and all put together, again it will go under depreciation over maybe the next 8 years we will be doing that. And the license is also in a sense perpetual. As long as you keep paying AMC, then the license will survive. So, there is no problem in that also. I think you will start seeing it once we tell you that we are depreciating over 8 years, next year you will see 1/8th of it, then you can make it what is the total cost of it.

Aman: On the cost side, the CapEx that we are supposed to be incurred, is it already incurred completely or further there is some payout remaining to TCS?

P. S. Reddy: Hardware by and large, it is done. Software costs are still to be incurred.

Satyajeet Bolar: Hardware as well as all the operating software's we have purchased. So, that's done.

Aman: There will still be a meaningful part. TCS part will be a meaningful part that you will pay out when at least the suitability is displayed and the acceptance test is done?

P. S. Reddy: Yes, it is reasonably big in that sense.

Abhinav: Sir, maybe one last question from my end, which is, we have also heard about the FPI participation potentially being allowed in the commodities market. And I guess there are two schools of thought here. One is, if you look at the equities market and draw a parallel, where FPIs play a huge role. I think 25% of market cap is owned by FPIs and even larger proportion of daily trading, but the difference there is that the FPIs are participating in equities because those equities are only traded in India like if they want to buy Reliance, it is only listed in India, as an example, which is not true in MCX case. The FPIs have the option of trading commodities overseas. So, just wanted to understand from

you, how should we think about the long-term opportunity here and in your opinion, what is the likelihood that FPIs will actually place material trades on the Exchange?

P. S. Reddy:

You are absolutely right. In fact, this is what in the past also in the analyst calls I have answered asking them since other markets are already there – CME or LME or wherever they want to go – they would trade there. Why will they come to you?

The first and foremost thing is if somebody wants to take advantage of cash and carry arbitrage opportunities, they will have to come only here, because here also exists cash and carry arbitrage opportunities. So, in whichever market it is there, then they will go and we have also presented that kind of opportunities. To that extent, they can exploit that.

I think when the commodities were under the regulatory regime of FMC and earlier, there was a lot of international trade taking place by domestic brokers, etc. All that got stopped for whatever may be the reason. Maybe they have to maintain two books and that may not be officially they are doing it but then they are otherwise doing it. Now, they can do it officially via an FII route and they can do trading in LME and arbitrage opportunities in terms of trade there, trade here, and then bridge the price gap or whatever they are able to do that using that. And still they will have only one book, and for the purpose of income tax, etc., they will not face any problems. This is another big opportunity. In fact, when I visited a lot of brokers in the past, they say that no, we have shut down that business – international arbitrage thing – because we are not allowed to do it and how long can we carry this tension, and all that. Now, they can do it officially using one single entity.

The third opportunity is, the people who are exporting to India, they have an exposure to Indian prices. Those kind of contracts are also in place. So, they would like to hedge their exposure with Indian market without they are registering themselves in India, have a registered office in India, etc. In good old days, there was EFE (eligible foreign entities), they should have an exposure in India, they should have an office, etc. All that is not required. So, whosoever has an exposure to Indian markets, they can hedge in India.

- Aman:** Sir, one last question I had just to add on. I think when you look at the growth in UCCs, we have had very encouraging growth in the last many quarters. It has continued. At the same time, the share of top 10 traders has also increased. On one hand, the market is dipping and on another hand, it is getting concentrated for MCX. Can you help us understand why is that happening?
- P. S. Reddy:** The top 10 brokers are majorly Algo players. New Algo players are joining and obviously the concentration will increase. That is true in other equity Exchanges also. But when it comes to the retail investors, don't go by the number of registered 1 crore plus because when brokers are admitting a new client in equities, they are also uploading the UCCs on the MCX and as and when the client wants to trade, then they will be able to offer him that. Actually, you need to see how many active UCCs which have traded. That is a very moderate growth, not spiraling growth.
- Abhinav:** I am just curious, what would that number be? How many of our UCCs are active on a quarterly basis?
- DG Praveen:** If you take the last quarter, Q1 FY22-23, both futures and options put together, we were having something about 2,38,000. Correspondingly, if you look at, it is about 2,23,000. So, there has been a growth compared to the corresponding period. We can see that a significant growth has come from the options.
- Abhinav:** How many of these 2,38,000 are trading only futures today?
- DG Praveen:** Futures alone if you look at it, we have 1,61,000 this quarter. Compared to the corresponding quarter, it was 2,11,000.
- Abhinav:** So, 1,60,000 of 2,38,000 are only doing futures. Is that what you are saying?
- DG Praveen:** Yes, 1,61,000 is, any way you can say because some people would have been trading in both futures and options, but you can say that it is not like options, means removal of number of futures. That means the people who have traded in futures will not result in options. In fact, there are people who are trading in both futures and options. Options alone I will give you the number so that you

will get a better picture. Options alone last quarter we have done 1.19 lakh compared to corresponding quarter, it was around 32,500.

Aman: Sir, the numbers that you just highlighted, it seems like the number of active investors on the futures side has come down. Is that something also that we should think about? Is there a reason for that?

P. S. Reddy: That has come down only in the Energy. If you see in Energy, we had Q1 of last year 1,01,200 odd and now the corresponding Q1, there is 42,000 now. But if you see the same thing, in case of Crude oil, it has gone to 1,03,000 options, Natural Gas 49,000. So, there is a lot of shift in the investors' preference for trading in the options.

Aman: Thank you so much for the explanations and patient hearing.

Abhinav: Sir, I have one last request to make. Both Aman and I are visiting Mumbai in the end of August and as part of our research process, one of the things we love doing is just meeting management team in their offices in person. We have already sent a request. I think maybe you would have received it but we would love an opportunity to just visit you in the offices and just shake hands with you and maybe meet you.

P. S. Reddy: Sure, most welcome. Please come.

Abhinav: We look forward to it. Thank you to everyone.

P. S. Reddy: You sent the mail to whom?

Abhinav: I think we sent the request through IIFL.

P. S. Reddy: You please process it and block my time from most of all our seniors.

Abhinav: Thank you, sir. Take care.

P. S. Reddy: Bye.